

Message Text

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FM SECSTATE WASHDC

TO ALL OECD CAPITALS PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: OECD REVIEW OF INWARD FOREIGN DIRECT INVESTMENT
RESTRICTIONS

REF: STATE 224692, DECEMBER 12, 1972

OECD PARIS A-19, JANUARY 30, 1973

1. INVISIBLES COMMITTEE OF OECD WILL AGAIN HOLD
SPECIAL SESSION ON INWARD FOREIGN DIRECT INVESTMENT,
MARCH 12, 1974. OECD CODE OF LIBERALIZATION OF CAPITAL
MOVEMENTS PROVIDES THAT FOREIGN DIRECT INVESTMENT SHALL
BE AUTHORIZED EXCEPT IN UNUSUAL CIRCUMSTANCES. THIS
SPECIAL SESSION, WHICH AFFORDS OPPORTUNITY FOR U.S.
EXPERTS TO QUESTION ANY SPECIFIC INSTANCES OF UNFAVORABLE
FOREIGN TREATMENT OF U.S. DIRECT INVESTMENT, WILL BE FOURTH
MEETING OF THE COMMITTEE ON INVISIBLE TRANSACTIONS FOR

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REVIEW OF COUNTRY INWARD DIRECT INVESTMENT PRACTICES.

2. UPON U.S. REQUEST, GROUND RULES FOR MARCH MEETING HAVE BEEN CHANGED FROM PREVIOUS REVIEWS; NEW PROCEDURE REQUIRES ALL COUNTRIES TO GIVE PRE-NOTIFICATION TO OECD SECRETARIAT OF CASES THEY WILL RAISE AT MARCH MEETING BY NO LATER THAN FEBRUARY 15. INFORMATION ON THE FOLLOWING POINTS HAS BEEN REQUESTED BY THE SECRETARIAT:

INVESTMENT ABROAD

A) INFORMATION ON ANY CASES WHERE RESIDENTS HAVE HAD DIFFICULTIES IN OBTAINING CONSENT IN ANOTHER MEMBER COUNTRY TO MAKE A DIRECT INVESTMENT (WITH ALL PARTICULARS NECESSARY FOR JUDGING THE CASE); THE EXPERTS OF THE MEMBER COUNTRY CONCERNED WILL BE CALLED UPON TO SET OUT, AT THE MEETING, THEIR POSITION WITH REGARD TO THE CASE RAISED.

B) QUESTIONS OF CURRENT INTEREST ON GENERAL POLICY AND SPECIFIC MEASURES RELATING TO INVESTMENT ABROAD BY RESIDENTS (INCLUDING MEASURES TO ASSIST AND ENCOURAGE SUCH INVESTMENT).

INVESTMENT FROM ABROAD

C) INFORMATION ON ANY CASES WHERE APPLICATIONS FOR CONSENT FROM NON-RESIDENTS WISHING TO MAKE A DIRECT INVESTMENT HAVE RESULTED IN THE PROJECT BEING EXAMINED BY THE AUTHORITIES WITH PARTICULAR ATTENTION (OR EVEN IN THEIR MODIFYING IT OR TEMPORARILY SUSPENDING THEIR DECISION), HAVING REGARD TO THE GROUNDS SPECIFIED IN REMARK (II) TO ITEM I/A OF THE CODE.

3. THE OECD SECRETARIAT WILL THEN CIRCULATE THE LIST OF QUESTIONS AND INFORMATION TRANSMITTED TO IT. THE SECRETARIAT HAS ADVISED US THAT THE DISCUSSIONS AT THIS MEETING WILL BE CONFIDENTIAL AND NO MINUTES WILL BE ISSUED.

4. EXPERTS TO THE MEETING WILL ALSO BE ASKED TO EXPLAIN CHANGES (SINCE LAST MEETING IN JANUARY, 1973) IN LIMITED OFFICIAL USE
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THEIR COUNTRIES' POLICIES TOWARDS FOREIGN DIRECT INVESTMENT (BOTH AS REGARDS TRANSACTIONS AND TRANSFERS) AND TO INDICATE THE TYPES OF PROJECTS FOR WHICH CONSENT HAS BEEN OR, IN CERTAIN CIRCUMSTANCES, MIGHT BE, REFUSED. CASES OF OUTRIGHT REFUSAL HAVE BEEN QUITE RARE IN PRACTICE. RATHER THERE IS A "GREY ZONE" BETWEEN AUTOMATIC APPROVAL AND REJECTION WHICH CAN INVOLVE VARIOUS DEGREES OF NEGOTIATION BETWEEN THE POTENTIAL INVESTOR AND THE AUTHORITIES OF THE COUNTRY CONCERNED LEADING EITHER TO MODIFICATIONS OR TO WITHDRAWAL OF THE ORIGINAL PROPOSAL.

5. WHILE DIRECT INVESTMENT SUBJECT OF OECD DELIBERATIONS IN EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS), AS WELL AS CONGRESSIONAL HEARINGS WHICH SPARKED MOST RECENT QUERY TO POSTS ON FOREIGN DIRECT INVESTMENT IN U.S. (STATE 11634), CURRENT EXERCISE PROVIDES OPPORTUNITY FOR

BRINGING UP SPECIAL PROBLEMS AND INDIVIDUAL CASES OF DIFFICULTIES CREATED FOR U.S. INVESTMENT AND INVESTORS BY HOST COUNTRIES, POLICIES AND ADMINISTRATIVE PRACTICES. POSTS ARE REQUESTED TO PROVIDE INFORMATION ON GENERAL POLICY OR PRACTICES AND PARTICULARLY ON ANY NEW CASES WHICH MAY HAVE GI
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